

**POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA
SUPERVISORY BOARD**

**PZU SA SUPERVISORY BOARD REPORT
FROM THE ASSESSMENT OF PZU SA'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

**MANAGEMENT BOARD REPORT
ON PZU SA'S ACTIVITY IN 2012**

**AND MANAGEMENT BOARD MOTION ON DISTRIBUTION OF PZU SA'S NET
PROFIT FOR THE YEAR ENDED 31 DECEMBER 2012**

Warsaw, 16 April 2013

This document constitutes a report of the Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and concerns the following:

- 1) assessment of PZU SA's financial statements for the year ended 31 December 2012;
- 2) assessment of the Management Board report on PZU SA'S activity in 2012;
- 3) assessment of the Company's Management Board motion on distribution of profit.

I.

Assessment of PZU SA'S financial statements for the year ended 31 December 2012 and Management Board report on PZU SA'S activity in 2012.

Pursuant to Article 382 § 3 of the Commercial Company Code, the special duties of the Supervisory Board include assessment of the Management Board report on the company's activity and the financial statements for the previous financial year in terms of their compliance with the ledgers, documents and the factual status, and of the management board motion on distribution of profit, and submitting to the shareholder meeting an annual written report on the outcome of the above assessment.

The PZU SA Supervisory Board, acting pursuant to the Company's Articles of Association and the Supervisory Board Bylaws, selected Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. ("auditor") as an entity authorized to audit financial statements to audit the stand-alone financial statements of PZU SA and the annual consolidated financial statements of the PZU SA Capital Group for the year ended 31 December 2012.

Preparation of PZU SA'S financial statements and the Management Board report on the PZU SA'S activity compliant with prevailing regulations is the responsibility of the Company's Management Board, whereas the Supervisory Board, together with the Management Board, is responsible for ensuring that the aforementioned financial statements and reports satisfy the requirements stipulated by Article 4 of the Accountancy Act of 29 September 1994 (Journal of Laws of 2009 No. 152, Item 1223, as amended) and the executive regulations issued on its basis.

PZU SA's financial statements for the year ended 31 December 2012 and the Management Board report on PZU SA's activity in 2012 were assessed in detail by the PZU SA Supervisory Board Audit Committee at the meeting held on 16 April 2013 and discussed with the Management Board and the Company's auditor at the PZU SA Supervisory Board meeting on 16 April 2013.

In its opinion the auditor made an assurance that the audit of the financial statements was planned and conducted in such a manner as to obtain reasonable certainty allowing us to express an opinion on the financial statements. In particular, the audit included checking the correctness of the accounting policies used by the Company and material estimates, verification (mostly by random sampling) of accounting evidence and accounting records, from which the figures and information included in the financial statements originate, as well as a general assessment of the financial statements. The audit provided a sufficient basis to express an opinion. In the opinion of the independent auditor, the stand-alone financial statements of PZU SA, in all material aspects:

- accurately and clearly depict information of material importance for the assessment of the Company's material and financial standing as at 31 December 2012, as well as its financial result for the financial year from 1 January 2012 to 31 December 2012,
- were drawn up in accordance with the applicable accounting principles (policy) prescribed by the Accountancy Act and the executive regulations duly issued on in basis, based on properly kept accounting ledgers,
- comply with the provisions of the law and the provisions of the Company's articles of association that affect the content of the financial statements.

The auditor's opinion on the audit of the stand-alone financial statements of PZU SA was issued as an unqualified opinion on 12 March 2013.

In addition the auditor emphasized that:

- the financial statements have been drawn up under the assumption that PZU SA will be a going concern for the foreseeable future, i.e. for a period of at least 12 months after the balance sheet date, i.e. 31 December 2012,
- as at the date of signing the financial statements, there were no facts or circumstances that would pose a threat to PZU SA's ability to continue its activity over the 12 months after the balance sheet date as a result of deliberate or induced discontinuation or material curtailment of its hitherto activity,
- after the balance sheet date to the date of signing the financial statements, there were no material events impacting the material and financial standing of PZU SA and audited subsidiaries which had not been reflected in the financial statements,
- the level of technical reserves ensures appropriate coverage of current and future liabilities and satisfies the requirements set for insurance companies.

The auditor also made an assurance that the report on PZU SA's activity in the financial year 2012 is complete within the meaning of Article 49 sec. 2 of the Accountancy Act and the provisions of the Finance Minister's Regulation of 19 February 2009 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2009 No. 33, Item 259, as amended) and the information contained therein is consistent with the audited financial statements from which it originated.

The PZU SA Management Board also represented that PZU SA's financial statements for 2012 were prepared in an accurate manner and correctly reflect the business events in the Company and are free of irregularities resulting from intentional actions or errors.

PZU SA' Supervisory Board, after analyzing the documents submitted by the Management Board:

- 1) PZU SA's financial statements SA for the year ended 31 December 2012, encompassing the following:
 - a) balance sheet drawn up as at 31 December 2012, showing total assets and liabilities of PLN 29,913,216 thousand (twenty nine billion nine hundred thirteen million two hundred sixteen thousand Polish zloty),
 - b) technical non-life insurance account for the period from 1 January to 31 December 2012, showing a technical result to be transferred to the non-technical profit and loss account in the amount of PLN 640,118 thousand (six hundred forty million one hundred eighteen thousand Polish zloty),
 - c) non-technical profit and loss account for the period from 1 January to 31 December 2012, showing a net profit of PLN 2,580,720 thousand (two billion five hundred eighty million seven hundred twenty thousand Polish zloty),
 - d) statement of changes in equity showing an increase in equity during the financial year ended 31 December 2012 by the amount of PLN 1,707,171 thousand (one billion seven hundred seven million one hundred seventy one thousand Polish zloty),
 - e) cash flow statement, showing a decrease of net cash in the course of financial year ended 31 December 2012 by PLN 66,256 thousand (sixty six million two hundred fifty six thousand Polish zloty),
 - f) notes to the financial statements for the financial year ended 31 December 2012;
- 2) Auditor's opinion and report dated 12 March 2013;
- 3) Management Board report on the activity of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in 2012;

positively assessed the above documents as to their compliance with the Company's ledgers and documents and the factual status.

Consequently, the PZU SA Supervisory Board resolved to submit this assessment to the PZU SA Ordinary Shareholder Meeting.

The Supervisory Board recommends that the PZU SA Shareholder Meeting approve:

- PZU SA's financial statements for the financial year ended 31 December 2012,

- Management Board report on PZU SA's activity in 2012, pursuant to § 18 item 1 of the PZU SA Articles of Association and Article 395 § 2 item 1 of the Commercial Company Code.

II.

Assessment of the Management Board motion on distribution of PZU SA's net profit for the year ended on 31 December 2012.

The Supervisory Board issues a positive assessment of the PZU SA Management Board motion to the PZU SA Shareholder Meeting on distribution of PZU SA's net profit for the year ended 31 December 2012 and recommends to the Ordinary Shareholder Meeting to distribute the profit in the amount of PLN 2,580,720,187.99 (two billion five hundred eighty million seven hundred twenty thousand one hundred eighty seven zloty and ninety nine grosz) in the following manner:

- 1) PLN 2,564,663,310.00 (two billion five hundred sixty four million six hundred sixty three thousand three hundred ten zloty), i.e. PLN 29.70 per share – for disbursement as a dividend;
- 2) PLN 6,056,877.99 (six million fifty six thousand eight hundred seventy seven zloty and ninety nine grosz) – for reserve capital;
- 3) PLN 10,000,000.00 (ten million) – for increase of the Company Social Benefit Fund.

Chairperson
PZU SA Supervisory Board

Waldemar Maj